

**Sateri Reports Higher Revenue and Slightly Improved Net Profit;
Ramped-Up Production and Sales at New VSF Plant in Fujian China**

Highlights

Six months ended 30 June (<i>Unaudited</i>)	2014 US\$ mn	2013 US\$ mn	Change
Revenue	366	337	8%
Cost of sales	278	212	31%
Gross profit	88	125	(30)%
Gross profit margin	24%	37%	
EBITDA	96	114	(16)%
EBITDA margin	26%	34%	
Profit attributable to shareholders	24	23	5%
Net profit margin	7%	7%	
Earnings per share (US cents)	0.7	0.7	-

- **Increased revenue despite declining product prices, as production and sales volume were ramped-up at the new VSF plant in Fujian, China**
- **Reduced gross profit mainly due to lower VSF prices, partially mitigated by cost reduction**
- **Profit attributable to shareholders improved slightly, mainly due to a positive non-cash impact from the appreciation of the Brazilian Reais against the US Dollar**
- **With the ramp-up of VSF production at the new Fujian plant, the Group is now focused on two products – VSF and specialty-grade DWP**
- **Increased penetration into the specialty-grade DWP market. Significant product quality improvement puts the Group in a good position to further increase sales volume and market share amidst heightened competition**
- **Continued focus on operational excellence and improving cost competitiveness to maintain Sateri’s position as a leading, sustainable low-cost global producer**

(12 August 2014 – Hong Kong) – **Sateri Holdings Limited** (“Sateri” or the “Group”; stock code: 1768), a leading global specialty cellulose company, today announced its unaudited results for the six months ended June 2014. The Group produces dissolving wood pulp (“DWP”) using wood resources grown from its captive plantations in Brazil, and viscose staple fiber (“VSF”) in China using DWP as its main raw material feedstock.

Business Review

During the first half of 2014, the Group focused on ramping up its VSF plant in Fujian, China which commenced production in December 2013. The Group’s two VSF plants mainly use rayon-grade pulp from its BSC plant. As a result, the Group is now focused on selling just two products, namely VSF and specialty-grade DWP, and hence much less exposed to market price

fluctuations in the rayon-grade DWP market as compared to the past.

In the first half of 2014, VSF market conditions remained challenging. VSF prices faced significant downward pressures despite a slight increase in demand, due to China's slower economic growth, ample supply and a weak downstream pricing environment, and fell to under US\$1,700 per metric ton at the end of June 2014.

The Group continued its ongoing strategy to further penetrate into the specialty-grade DWP segment. Sales volume for this segment increased by 13% in the first half of 2014. Discussions on contract terms for 2015 will commence in the second half of 2014 and the Group is in a good position to make further progress in penetrating this market segment, as it continues to improve its product quality according to stringent customer specifications.

The Group's average selling prices ("ASPs") for VSF and specialty-grade DWP for the first six months of 2014 were 12% and 6% lower than the ASPs achieved in the corresponding period in 2013. Despite the lower ASPs of VSF and specialty-grade DWP, the Group's revenue increased by 8% to US\$366 million as it sold much more VSF than before and continued to increase sales of specialty-grade DWP.

Total cost of sales increased by 31% as a result of its increased sales of VSF, which has a higher cost of sales per metric ton than that of rayon-grade DWP, and an increase in its cost of sales per metric ton of DWP, despite the fact that the Group continued to benefit from a drop in the prices of certain key materials for VSF production. Gross profit declined by 30% to US\$88 million, and EBITDA declined by 16% to US\$96 million. Gross profit margin and EBITDA margin were 24% and 26% compared to 37% and 34%, respectively, in the corresponding period in 2013. Profit attributable to shareholders increased by 5% to US\$24 million.

Future Development Plans

For the rest of 2014 and beyond, the Group will continue its strategy to produce and sell more specialty-grade pulp, in view of its lower price volatility and superior positioning within the value chain. The Group's strategy is to continue strengthening its position as one of the leading global suppliers in this market, particularly in acetates.

As part of the Group's DWP-VSF integration strategy, three of the four production lines of the new Fujian VSF plant are now in operation. The additional annual design capacity of 200,000 metric tons of VSF will not only boost the Group's integration of its VSF business and its rayon-grade DWP business, it will also increase the scale and improve the competitive positioning of its VSF business in China. Also, the new plant in Fujian will enable the Group to increase its penetration into the specialty VSF markets such as the non-woven sector, thereby enhancing Sateri's competitive positioning in the VSF market.

The Group will also continue to explore the feasibility of further greenfield or brownfield expansions, particularly at its existing manufacturing locations, and/or acquisition opportunities, if they meet the Group's stringent strategic and financial return targets.

Outlook

Going forward, the Group will continue its relentless efforts in further penetrating the specialty-grade DWP market which has more stable and premium pricing than rayon-grade DWP, and achieve a better sales mix to maximize profitability from its integrated business platform.

On the VSF front, the Group will focus on ramping up the Fujian plant towards its design capacity, producing high quality products to target premium prices, and improve the overall profitability of the VSF business.

Mr. TEY Wei Lin, CEO of Sateri, concluded:

“In the first half of 2014, our focus was two-fold: (1) increasing sales in the specialty pulp segment; and (2) ramping up production and sales at our new Fujian VSF plant. We are pleased that we have made good progress on both fronts.

Looking ahead, we are in a good position to make further progress in the specialty pulp segment, as we continue to improve our product quality according to stringent customer specifications. As for VSF, with the ramped-up production at our new Fujian VSF plant, we are now integrated from wood to pulp to VSF, and Sateri is now the third-largest player in China and fifth globally in terms of VSF capacity.

Sateri will continue to strive to sustain its operations with improved efficiency, at a competitive cost level. This, along with our conservative cash flow and balance sheet management, will position us strongly for further growth to deliver attractive long-term value to our shareholders.”

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About Sateri Holdings Limited

Listed on the Hong Kong Stock Exchange, Sateri Holdings Limited (“Sateri”; stock code: 1768) is one of the largest specialty cellulose producers in the world. Sateri produces different grades of high-purity dissolving wood pulp and viscose staple fiber, which are natural raw materials and key ingredients to a diverse range of everyday items from textiles, baby wipes and eyeglass frames, to soft ice-cream, sausage casings and pharmaceuticals, as well as industrial products such as high-performance tire cords.

Sateri has a vertically integrated business. Its upstream operations in Brazil consist of a secure renewable plantation that grows eucalyptus trees on its 150,000 hectares of freehold land, and a state-of-the-art mill to produce high-purity dissolving wood pulp. Sateri’s downstream business in China consists of production facilities that use dissolving wood pulp to produce viscose staple fiber to capture the fast growing consumer market demand in China.

Sateri attaches high priority to its social and sustainability responsibilities and is committed to preserve and protect the environment in every aspect of its operations. Sateri has corporate offices located in Shanghai and Hong Kong.

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